NORTH CAROLINA ASSOCIATION OF COUNTY COMMISSIONERS
LEGISLATIVE BULLETIN
215 N. Dawson St., Raleigh, NC 27603 • (919) 715-2893

Bulletin #04-06 **Thursday, June 10, 2004**

HOUSE BUDGET RESTORES ADM FUNDS

The House this week completed its initial budget deliberations with passage of **H1414**, legislation to amend the 2004-05 state budget. By a vote of 95-18, the House gave its final approval to the $15.8 billion budget proposal on Tuesday, June 8, and sent it on to the Senate. The Senate's subcommittees on appropriations began their own consideration of the House's action Wednesday morning.

Of particular importance to counties is the full restoration of the Public School Building Capital (ADM) Fund. Gov. Easley had proposed diverting 50 percent or $31.6 million to state public school operating expenses. Counties rely on these funds for school construction, renovation and repair.

Also of great interest is a special provision that would extend the local hold harmless payments through August 2012. Under current law, August 2004 would be the last payment although last year's budget included a statement of legislative intent to appropriate hold harmless funds for a total of 10 years.

State employees would receive a $1,000 recurring salary increase, while teachers' salaries would average a 2.3 percent increase. Community college faculty would receive an additional 2 percent increase over the $1,000, in keeping with the General Assembly's stated intent to move community college faculty salaries to the national average.

The House would appropriate only $2 million for additional child-care subsidies, less than the governor's proposal of $12 million. It is estimated that 2,000 existing daycare slots would be lost under the House's proposal, despite a current waiting list of more than 24,000. Both plans would redirect an additional $10 million from federal block grant programs to daycare subsidies.

The House budget includes a $5 million reduction in area mental health funding, an item that generated the most debate and proposed amendments during the budget deliberations. A floor amendment proposed by Rep. Verla Insko (Orange) restored $5 million, with funding from the state's Medicaid trust fund. Much discussion centered on forced reversions due to limitations on services spending. A special provision directs the Department of Health and Human Services to identify and eliminate any barriers to ensure that mental health dollars reach targeted and priority populations. The House included $750,000 to match up to $13 million in federal dollars for housing for the mentally ill, and $8.5 million would be set aside in the Mental Health Trust Funds.

The House agreed with the governor's proposal to fund an additional $5 million for child protective services workers, with a special provision directing that these funds go to those agencies with higher caseloads. The House also set aside $1 million for training in the Multiple Response System (MRS). The House also accepted the governor's proposal to fund 100 additional school nurses, although much of the needed funding would come from redirected federal block grant funds. A special provision requires the Department of Health and Human Services and the Department of Public Instruction to allocate these funds to a limited number of communities based on current student/nurse ratios, economic conditions, and student health needs. More At Four would receive the governor's requested $9 million increase, adding 2,000 additional slots for children with a total allocation of $51 million. Special provisions would direct shifting of monies from unfilled slots to underserved counties and to daycare and would implement an income eligibility requirement similar to that for daycare subsidies.

The House also agreed to the governor's proposal to reduce 3rd grade class size for $50.5 million, although a special provision would allow school systems to use these funds, as well as any other state allotments, to make up an additional $27.7 million in school system negative reserves.

A special provision would allow counties to appropriate capital outlay funds for charter schools.

Teacher ABC bonuses would receive funding at the governor's recommended level of $108 million, although a special provision would limit future bonuses to schools that exceed projected student performance. Current language provides bonuses to teachers in schools that meet projected student performance.

Funding for vocational education was restored, and $5 million would be appropriated for the Low Wealth School Funding Program. If these funds are appropriated, the total low wealth allocation would equal $105 million, with an estimated $173 million needed for full funding.

To match federal funds provided thought the Help America Vote Act, the House budget appropriates $1.5 million to draw down an additional $28.1 million in federal HAVA funds. Also, $15 million in Clean Water Management Trust Funds would be redirected to the Leaking Underground Storage Tank Program.

BILLS OF INTEREST

PERSONNEL
Updates

S1312 **"To authorize participation in 457 plans by local governmental employees."** Sen. Katie Dorsett (Guilford). This bill was favorably reported in the Senate on June 2. It was approved on second and third reading June 3. The bill has been referred to the House Committee on Pensions and Retirement.

H1513 **"To increase the maximum death benefit payable from the Local Governmental Employees' Retirement System."** Sen. Larry Bell (Sampson). (Bulletin #04-04, May 20, 2004). This bill was favorably reported in the House on June 2 and was re-referred to the House Appropriations Committee.

PLANNING, DEVELOPMENT AND LAND USE
Updates

S1089 **"To authorize the Department of Transportation to receive funds from local governments to advance the construction schedule of TIP projects."** Sen. Clark Jenkins (Edgecombe). This bill was favorably reported by the Senate Judiciary Committee #1 on June 7. It was approved on second and third reading June 8. An identical House Bill, H1382, was reported in Bulletin #04-02, May 13, 2004.

TAXATION AND FINANCE
Updates

H1465 **"To allow farmland owned by a family business to keep its present-use value tax status when leased for farm use."** Rep. Harold Brubaker (Randolph). (Bulletin #04-03, May 20, 2004; Bulletin #04-04, May 27, 2004; Bulletin #04-05, June 3, 2004). This bill was approved by the Senate on second and third reading June 8.

James B. Blackburn, III, General Counsel
C. Ronald Aycock, Executive Director

Note: Legislative bill numbers link to the most recent version of the bill that has action on it on the floor. Subcommittee and other amendments are not included.